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Weekly Contributions
Latin America Branch, ONE, CIA
25 January 1949

GENERAL: Venezuela has withdrawn its Ambassador from Chile (item 1).

CENTRAL DIVISION: The Brazilian Congress faces serious public dissatisfaction (article). Venezuela's junta has successfully met three strike threats, but at present it lacks the unity necessary to make continued success certain in controlling labor (item 2).

SOUTHERN DIVISION: In Peru food shortages may threaten the stability of the Odría government (item 3). Argentina's recent changes in leadership and policy are designed to improve that country's unsatisfactory foreign trade situation (item 4).

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B/LA, CIA

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1. GENERAL: The withdrawal of the Venezuelan Ambassador from Chile appears to be a face-saving move against a government whose outspoken criticism has been a source of embarrassment to the Venezuelan junta. Now that the new government in Venezuela has been recognized by the more powerful and influential governments of the Western Hemisphere including the US, the junta is in a position to "punish" those who have been most vocal in their criticism; i.e., Chile, Uruguay, and Bolivia. It is quite normal that some action be taken against Chile first because, in addition to Chile's efforts to obstruct recognition, that government has further laid itself open to reprisals by asking the Council of the Organization of American States to consider Venezuela's negligence in not granting permission to former President Betancourt to leave the country under a "safe conduct", an act which the junta considers an insufferable intervention in Venezuelan domestic affairs. Similar action against Uruguay and Bolivia must be considered a real possibility. By taking this action, the junta can impress the Venezuelan population with its independence and concern for the "honor of Venezuela". The action, moreover, has the effect of placing Chile on the defensive vis-à-vis all the governments which have recognized the junta; that is to say, Chile is now out of step with the trend toward recognition which is evident in the Hemisphere. Since the Ambassador was recalled to increase the junta's prestige at home and as a means of punishing lightly a government whose position has been extremely inconvenient and irksome, and since these purposes are now served, it is not expected that the Venezuelan Government will go so far as to break off diplomatic relations with Chile.

2. VENEZUELA: The Venezuelan junta has successfully met another strike threat, the third (including the student demonstration of several weeks ago) with which it has had to cope since coming into power. Reports state that the workers have returned and that production in the oil fields is again about normal. The government's success in meeting this threat should not cause one to minimize the prospects for further trouble. The strikes have all the appearance of "feeling-out" actions by the labor unions. They give labor leaders and prospective leaders experience in organizational and other activities of political action. On the other hand, there are reports (see B/LA Wkly for 18 Jan 49, item 5) that the junta is not maintaining the unity and cohesion necessary for continued success in meeting the problems which the restive laboring forces in Venezuela will no doubt create as opportunity presents itself.

3. PERU: Prospective food shortages threaten the stability of the Odría government. A severe drought is currently threatening food production. Government officials are especially alarmed by this situation because Peru's current dollar shortage limits purchases in other countries. To get food from Argentina, the government is in effect obliging producers

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of sugar (in particular) and also producers of cotton, coal, petroleum, and metal (including strategic lead) to sell their products to the government in sufficient quantities to fill Peru's quota of goods under the Argentine-Peruvian exchange agreement (see B/LA Wkly for 4 Jan 49 and 23 Dec 48). If the exchange agreement with Argentina and other palliative measures the government may employ do not satisfy Peru's food needs during the next six months, popular unrest may be so great that the army may withdraw its support from the Odría regime.

4. ARGENTINA: Important changes in economic policy and leadership appear to be designed to adjust the Argentine economy to an international buyers' market and to improve trade and financial relations with the US and other countries. Miguel Miranda, former President of the National Economic Council, has been relegated to the status of technical adviser to the President. A sharp devaluation of the peso in international trade is reported to be imminent. Strong emphasis is currently being placed on increasing domestic production. And Argentina will participate in the International Wheat Conference designed to arrange the orderly distribution of world grain surpluses. These changes suggest that Perón has decided to modify Argentina's postwar practices of restrictive selling of exportable surpluses at maximum prices, and to try the more internationally cooperative policies -- more nearly approaching US views -- advocated by Foreign Minister Bramuglia. It is probable also that in making these moves Perón hopes to improve Argentine prospects for participation in European dollar trade and to facilitate closer cooperation with the US that might include some US assistance in alleviating Argentina's financial difficulties.

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ARTICLE

Popular Dissatisfaction with the Brazilian Congress

The prestige of the Brazilian Congress, which convened in special session on 15 January, is at its lowest point since the restoration of representative government in Brazil, and the press compares the atmosphere to that prevailing in 1937 just before Vargas' dissolution of Congress. Because of President Dutra's apparent determination to support constitutional government, the dissolution of this congress is, however, unlikely.

Congress has often been criticized for its long delays in completing legislation and its failure, as yet, to take action on many basic problems — a failure responsible for the calling of the present special session. In conjunction with these deficiencies, the self-interest and despatch with which the members recently voted themselves a salary increase, thereby augmenting a large deficit in the 1949 budget, have caused a storm of criticism in the press. The specter of a military coup against Congress, always in the background of Brazilian politics, is evoked by many of the editorials on this subject. The two figures who would have the greatest influence in determining any military action, however, are President Dutra, who has studiously refrained from any criticism of Congress, and General Góes Monteiro who, as a member of the PSD (government party) majority in the Senate, is himself a party to congressional inefficiency.

Commenting on the present state of opinion, Embassy Rio points out that Congress "has, nevertheless, done a reasonably creditable job". It met the 30 November deadline for the budget; voted a much-needed pay increase for the Armed Forces and Civil Service; implemented the constitutional provision for a weekly day of rest with pay; authorized the government to guarantee an International Bank loan to the Brazilian Traction, Light and Power Co.; authorized provisional application of GATT; ratified a number of treaties and agreements; and made various ad hoc provisions for crop financing.

While the attacks on Congress and the PSD have generally not been extended to President Dutra, some of the responsibility for congressional action and inaction must also be ascribed to his reluctance or inability to provide real leadership for his own party and for the other groups collaborating in the Inter-Party Pact which gives the administration an overwhelming theoretical majority in both houses.

With the lack of party discipline and in the absence of strong leadership from the executive, Congress is unlikely, during the special session, to show sufficient accomplishments to recoup much of its lost prestige. It can, however, continue to rely on the President's staunch determination to maintain constitutional government as well as upon his power to do so.

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